Q3

2013 THIRD QUARTER INTERIM REPORT

LARICINA ENERGY LTD.

2013 continues to be an important year for Laricina with significant progress made at both Germain and Saleski. Steam injection and a staged conversion to production at the Germain Commercial Demonstration Project (CDP) continued throughout the third quarter. Our first three wells converted to production after three months of steaming and we expect bitumen production from these wells in the fourth quarter.

The Saleski pilot continues to provide the blueprint for Grosmont carbonate development. The third quarter provided the highest production rates we have achieved at the pilot, with the month of September averaging more than 1,000 gross barrels per day of bitumen production.

Third Quarter 2013 Highlights

- At Germain:
  - Converted two steam-assisted gravity drainage (SAGD) well-pairs from steam injection to production during the quarter, and converted a third well-pair subsequent to the quarter;
  - Expect bitumen production from these well-pairs in the fourth quarter;
  - Expect to convert additional SAGD well-pairs from steam injection to production throughout the fourth quarter and into 2014;
  - Continued to commission facilities; and
  - Regulatory consultation for the 150,000 barrel-per-day expansion continued, with approval expected before year end.

- At Saleski:
  - Three out of four wells progressed through their respective production cycles during the quarter; quarterly production exceeding 61,670 gross barrels;
  - During month of September, achieved record average monthly production exceeding 1,000 gross barrels per day;
  - Filed amendment to Saleski Phase 1 regulatory application to change four of the 32 Grosmont C wells to target the Grosmont D;
  - Entered into a contract with leading international engineering, procurement and construction firm for design and development of Saleski Phase 1; and
  - Filed patent for horizontal top injector well intended to test the concept of continuous steam at the top of the Grosmont C formation.

- Corporate
  - Capital expenditures of $29.8 million made during the third quarter; and
  - Working capital was $182.7 million at the end of the third quarter.

Germain

Two of the well-pairs that were steaming were converted to production during the third quarter with a third well-pair converted shortly thereafter in October. All three of the production wells in these SAGD well-pairs have been placed in the basal water-zone and as expected, have been producing water since conversion. We anticipate bitumen production from these wells in the fourth quarter. Three well-pairs with their producers placed in the bitumen zone are currently in their steam circulation cycle. They are expected to be converted to production throughout the remainder of the year and into the first quarter of 2014.

Once all steamed well-pairs are converted to production, we will begin detailed analysis on production ramp-up and performance of basal water-zone wells versus bitumen-zone wells. It is our belief that basal water-zone wells enable faster start-up and require less energy to heat the reservoir (heat in the form of steam enables the bitumen to flow). Based on data collected from the CDP thus far and from other industry projects with wells placed in basal water, we believe the water in the formation facilitates uniform distribution of steam and heat along the wellbore – uniformity of the steam chamber is essential for successful and efficient SAGD. The first three wells at the CDP have been converted from injection to production within three months of start-up and have used significantly less steam prior to conversion. Additionally, we have recorded temperature and pressure increases all along the wellbore, indicating uniform distribution of heat and steam.

Our initial focus on the basal water zone wells has also given us the opportunity to focus on the CDP's water handling and recycling facilities, an important part of any *in situ* operation. The CDP will be recycling approximately 90 percent of its produced water and will require consistent, reliable water handling. We completed commissioning and full operation of our hot lime softener (a key part of water treatment technology that reduces water hardness and potential for scaling) in early October. Until the hot lime softener was fully commissioned and operating consistently, our water handling capabilities were limited which affected our ability to fully drawdown on the production wells in the basal water. Now with full operation of the hot lime softener, we are able to increase production commensurate with increased capacity.

Subsequent to the quarter, steam injection was interrupted at the Germain CDP as a result of a line break on a third-party pipeline that supplies natural gas. Steaming was halted for 9 days, however arrangements were quickly made for compressed natural gas to be trucked to site until the third-party natural gas pipeline is repaired which is expected by late November. As a result of the limitation in our water handling capabilities and interruption in gas supply, production ramp-up at the Germain CDP to year-end targets will be impacted. We continue to expect to introduce solvent with steam (solvent-cyclic SAGD or SC-SAGD) early in 2014. Subsequent production ramp-up is now forecasted to be 65 percent of design capacity of 5,000 barrels-per-day by the end of 2014.

The CDP is the design basis for Germain Phase 2 and its performance data will contribute to the detailed plan for Phase 2. Regulatory approval for Germain's expansion to 150,000 barrels-per-day (which includes Germain Phase 2) remains expected for this year provided the project does not require a regulatory hearing.

Saleski Pilot

At the Saleski pilot, three of four wells were in their respective production cycles of the cyclic-SAGD (C-SAGD) process during the third quarter, helping to achieve the highest production rates since the pilot began operations in 2011. The pilot achieved 61,670 gross barrels of bitumen production during the quarter with the month of September averaging more than 1,000 gross barrels per day. The production rates are a result of our fine-tuning the C-SAGD process, longer production cycles and operational enhancements. Additionally, we achieved our 300,000th gross barrel of bitumen produced at the pilot.

Located in the Grosmont C, the pilot's 2C well continues to respond positively to the C-SAGD process. The most recent of the pilot's wells, 2C is a new generation well drilled open-hole and pressure balanced, meaning there is no interference between the reservoir and the well, and the issues or limitations inherent to the pilot's first generation wells are not present. The 2C well continues to achieve targets and validates our forecasts for steam-to-oil ratios (SOR) and commercial production rates from the Grosmont C, supporting our development plans for Saleski Phase 1.

In the Grosmont D, the 1D well has been producing through the quarter and we are currently testing the effects of short duration low-pressure steam injection during the tail end of its production cycle. Early-stage results have indicated increased production rates after a short burst of steam, improving the calendar day oil rate (CDOR) and SOR.

The 2D well is currently on steam injection and will be converted to production in the fourth quarter.

During the quarter, Laricina received approval to add a horizontal top injector well at the pilot. We have also filed a patent for this particular system and method. The injector well is going to be used to test the concept of continuous steam injection at the top of the Grosmont C to support production in the later stages of cyclic operation and how it could improve overall bitumen recovery. We expect to drill the well in 2014 and coordinate with the latter part of a production cycle for 1C.

As part of our winter program at the pilot, we continue to focus on advancing our understanding of steam chamber development, the movement of fluid between the Grosmont C and D and optimizing recovery from the Grosmont D. A 4-D seismic program is planned this winter to evaluate steam chamber development year over year, and the tracer injection test that began earlier this year will resume. Previous results from this test had indicated that fluid is moving in all directions within the reservoir, demonstrating the tremendous porosity and permeability of the Grosmont, and between the C and D. The goal of operating the C and D as a single zone remains an objective of future Saleski development.

Saleski Phase 1

Repeated success at the pilot in the Grosmont C continues to increase the confidence we have in the C-SAGD process and overall recovery of the resource. We are steadily increasing our understanding towards a commercial strategy for the Grosmont D. As such, subsequent to the quarter, Laricina applied for an amendment to our current Saleski Phase 1 Project application to change the targeted reservoir for four of the 32 currently approved wells from the Grosmont C to the Grosmont D. These four wells will be used to demonstrate commercially of the Grosmont D, implementing what we continue to learn at the pilot.

The construction and start-up schedule for Phase 1 has been updated to reflect our requirement for additional financing prior to commencing construction and drilling, along with an emphasis on controlling costs. Start-up of Phase 1 is now targeted for the third quarter of 2016 having previously targeted the third quarter of 2015. The change to the start-up date also reflects our focus on managing costs and construction efficiently through the winters as productivity and efficiencies decrease significantly during winter conditions. We expect this construction strategy to result in improved costs, safety performance and quality.

Much like the Germain CDP, we are being measured and deliberate in our approach to Saleski Phase 1. Our focus is on managing costs while maintaining the high quality of the project, working towards the best possible capital cost forecast and schedule. Towards these efforts, we have entered into a two-phase contract with a leading international engineering and construction company with a broad spectrum of experience in oil and gas industry worldwide. We appreciate their thorough understanding of our business, technical expertise in oil and gas project execution, and willingness to work closely with us in managing costs and schedule - a reflection of how the oil sands has become a global commodity.

The first phase of the contract is structured as reimbursable and the second phase will be lump-sum. We are well into the first phase working towards completing 90 percent of engineering prior to converting to the lump-sum portion of the contract in May 2014. Other than key long-lead equipment (the once-through steam generators), procurement of components will not occur until the contract converts to lump-sum after financing and project sanction.

Corporate

During the quarter, the Government of Alberta announced the boundaries for the Urban Development Sub-region (UDSR), a designated area of land surrounding Fort McMurray, Alberta to allow for future urban expansion. Oil sands leases within the designated boundaries of the UDSR may be cancelled to accommodate urban development of the city.

Less than 3 percent of Laricina's total lands will be affected by the UDSR. These lands are undeveloped and we do not expect the economic impact to the Company to be material.

Subsequent to the quarter Mr. Adam Vigna joined the Board of Directors replacing Mr. Jeff Donahue as Canada Pension Plan Investment Board's (CPPIB) representative pursuant to a Board Participation Agreement between the Company and CPPIB dated July 5, 2010. Laricina thanks Mr. Donahue for his support over the past three plus years and we appreciate his time, dedication and many contributions to advancing our business plan and we wish him the very best in all his future endeavours. We look forward to working with Mr. Vigna whose extensive private equity and debt investment experience makes him an excellent addition to our Board, and continuing our long-term relationship with CPPIB.

Outlook

The broader economic environment continues to show signs of improvement. Commodity pricing in the US and Canada steadily increased throughout the quarter with West Texas Intermediate averaging above $100 per barrel. Of benefit to Canadian producers, a greater number of transportation options, including new pipeline and rail projects, have relieved some of the downward pressure on Western Canadian Select; Canada's pricing benchmark for heavy crude.

At this stage of Laricina's development demonstrating the commercial potential of the Grosmont and Grand Rapids, along with delivering projects on time and on budget is how we create value. The Germain CDP has set the stage for successful project execution and positioned Laricina as the next producing *in situ* oil sands company. Demonstrating our commitment to managing the variables within our control (namely, costs and schedule) has us prepared to advance our next major projects. We have working capital of $182.7 million at the end of the third quarter and project $130 million at the end of the year. Further financing will be required early in 2014 to advance the Company's business plan.

We are continuing to achieve our milestones in 2013. The development strategy for the Grosmont carbonate continues to be refined through our work at the Saleski pilot. Initial results from the Germain CDP are confirming our expectations for what we can achieve at the facility. As we anticipate bitumen production from the first three wells, the fourth quarter promises to be a fitting end to an eventful year.

(signed) "Glen C. Schmidt"

Glen C. Schmidt
President and Chief Executive Officer
November 1, 2013

The foregoing message contains forward-looking statements. Readers are directed to the Management's Discussion and Analysis and the "Advisory" on page 6, which also applies to the forward-looking statements in this message.

Management's Discussion and Analysis

November 1, 2013

Management's Discussion and Analysis (MD&A) of the financial results of Laricina Energy Ltd. (Laricina or the Company) should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the nine months ended September 30, 2013 and September 30, 2012, and the audited consolidated financial statements and MD&A contained in the Company's annual report for the financial year ended December 31, 2012. The financial information presented in this MD&A has been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

The information in this MD&A provides management's analysis of the financial and operating results of Laricina and contains forward-looking statements based on estimates and assumptions that are subject to risks and uncertainties. Readers are directed to the following "Advisory on Forward-Looking Statements" which applies to this MD&A and interim report. Actual results or events may vary materially from those anticipated.

Advisory on Forward-Looking Statements

This MD&A and interim report contains certain forward-looking statements relating to, without limitation, the Company's business and the intentions, plans, expectations, anticipated financial performance or condition. Forward-looking statements may include, but are not limited to, statements concerning estimates of contingent, prospective and recoverable resources, reserves and total potential production volumes; statements relating to the continued advancement of the Company's projects; and other statements which are not historical facts. Forward-looking statements typically contain words such as "plan", "expect", "estimate", "intend", "believe", "anticipate", "project", "forecast", "potential" or other similar words suggesting future outcomes and statements that actions, events or conditions "may", "would", "could", "should" or "will" be taken or occur in the future. The reader is cautioned not to place undue reliance on any forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Company's management believes that the expectations represented by such forward-looking statements are reasonable as of November 1, 2013, there can be no assurance that such expectations will prove to be correct and, accordingly that actual results will be consistent with the forward-looking statements. The risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A and interim report include, but are not limited to: the Company's ability to secure financing; geological conditions relating to the Company's properties; the impact of regulatory changes especially as such relate to royalties, taxation and environmental changes; the impact of technology on operations and processes, and the performance of new technology expected to be applied or utilized by the Company; labour shortages; supply and demand metrics for oil and natural gas; the impact of pipeline capacity, upgrading capacity and refinery

demand; general economic, business and market conditions; and such other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities, contained in other disclosure documents or otherwise provided by the Company. The actual results, performance or achievements of the Company could differ materially from those expressed in or implied by forward-looking statements contained in this MD&A and interim report and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefit Laricina will derive. Unless required by law the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A and interim report are expressly qualified by this advisory and disclaimer.

Highlights for the Third Quarter Ended September 30, 2013

	Three Months Ended September 30		**Nine Months Ended September 30**	
(thousands of dollars)	**2013**	2012	**2013**	2012
Total assets	**1,335,803**	1,398,573	**1,335,803**	1,398,573
Working capital	**182,720**	442,272	**182,720**	442,272
Capital expenditures (cash)	**29,750**	55,675	**145,673**	173,527
Net operating revenue[1]	**3,216**	1,885	**5,431**	3,521
Finance income	**805**	1,832	**2,932**	5,929
Net loss	**(10,240)**	(7,341)	**(30,339)**	(22,260)
Net loss per common share – basic and diluted	**(0.15)**	(0.11)	**(0.45)**	(0.34)

(1) Net operating revenue is defined as bitumen blend sales less royalties.

During the third quarter of 2013, Laricina completed construction and continued commissioning activities at the Germain commercial demonstration project (CDP). The two well-pairs which began initial steam injection in the second quarter were converted to production. Steam injection commenced in four additional well-pairs during the third quarter. The company anticipates initial bitumen production in the fourth quarter of 2013. Steaming in the remaining well-pairs will commence as the Germain CDP progresses.

Laricina recorded the highest production rates at the Saleski pilot since operations began in 2011. During the third quarter of 2013 bitumen production exceeded 37,000 net barrels with an average realized price of $74.83 per barrel. Production volumes have increased due to having three wells on production cycles during the quarter, increasing length of production cycles and refinement of the cyclical steam-assisted gravity drainage (C-SAGD) process.

Laricina received the Order-in-Council from the Government of Alberta for the Saleski Phase 1 expansion of 10,700 barrels per day on July 11, 2013.

Operational Results

(thousands of dollars)	Three Months Ended September 30 2013	2012	Nine Months Ended September 30 2013	2012
Net operating revenue	**3,216**	1,885	**5,431**	3,521
Transportation and blending expenses	**1,696**	936	**3,167**	1,972
Operating expenses	**6,648**	4,954	**18,516**	15,997

Net operating revenue

Since first production in the second quarter of 2011, Laricina has recognized net operating revenue from the Saleski pilot. During this time the Company has: proven commercial rates through steam injection and bitumen production cycles with C-SAGD; increased the length of production cycles; injected solvent to reservoir production tests; and continued to enhance the understanding of communication between the C and D zones in the Grosmont Formation with the potential to extract bitumen more effectively through combined well operations. The Company continues to optimize well and facility operations for advancing the commercial development design of the Grosmont.

(barrels)	Three Months Ended September 30 2013	2012	Nine Months Ended September 30 2013	2012
Net production volumes	**37,003**	26,300	**68,450**	50,700
Net bitumen blend sales volumes	**45,044**	31,673	**84,510**	61,680

Bitumen production volumes and bitumen blend sales volumes increased during the first nine months of 2013 when compared to the same period in 2012 with more than 37,000 net barrels of bitumen produced during the third quarter of 2013. The increase in the bitumen production volumes and bitumen blend sales volumes during the third quarter of 2013 when compared to the second quarter of 2013 resulted from a plant shut-down due to the planned turnaround late in the second quarter; and the timing of production cycles along with an increase in the number of wells on production during the third quarter. Production and sales volumes during the nine month period ended September 30, 2013 have increased from the comparable period in 2012 due to the completion of an additional C-zone well during the second quarter of 2012, increased length of production cycles and increased well performance in the D-zone.

Laricina expects sales and production volumes to fluctuate as cycles of steam injection and bitumen production alternate throughout the year.

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	**2013**	2012
Average sales price per barrel	**$ 74.83**	$ 61.27	**$ 66.57**	$ 58.79
West Texas Intermediate (WTI) (US $/barrel)	**$ 105.83**	$ 92.22	**$ 98.14**	$ 96.21
Western Canadian Select (Cdn $/barrel)	**$ 85.06**	$ 74.10	**$ 73.42**	$ 70.96

The increase in net operating revenue during the first nine months of 2013 compared to the same period of 2012 is due to higher bitumen blend sales volumes combined with increases in the average realized price per barrel of bitumen blend. The increase in the average realized price per barrel is the effect of an increased WTI benchmark and narrowing differentials. Laricina's average sales price per barrel is net of blending costs, terminal fees, and other direct charges related to transportation.

Laricina pays Crown royalties on oil sands production. Royalties increased during the first three quarters of 2013 when compared to the same period of 2012 as a result of an increase in the applicable royalty rates due to a higher WTI benchmark price, combined with an increase in bitumen blend sales.

Transportation and blending expenses

Transportation and blending expenses include the cost of diluent purchased for blending with the produced bitumen, and the cost of transporting the bitumen blend volumes to the sales terminals. Increased transportation costs during the first nine months of 2013 when compared to the same period in 2012 are primarily due to an increase in trucking rates associated with road bans and increased distance to sales terminals used. Increases in blending costs during 2013 when compared to 2012 are due to increase in sales volumes and the increase in the cost of diluent. Laricina's blending ratio has remained relatively consistent at approximately 18% during 2013 and 2012.

Operating expenses

Operating expenses incurred during the first nine months of 2013 and 2012 were primarily related to the operation of the Saleski pilot. Additional costs included in operating expenses for 2013 are costs related to the completion of a scheduled turnaround late in the second quarter, analysis and evaluation of solvent performance, and the recovery of the solvent during bitumen production. Due to the experimental nature of the Saleski pilot, operating costs are expected to exceed net operating revenue throughout the pilot's life. Other operating expenses relate to road maintenance and use of camps by third parties. Costs related to the start-up of Germain CDP will be capitalized until initial bitumen production.

Capital Investment

Capital investment includes costs related to exploration and evaluation assets, property, plant and equipment, and intangible assets.

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of dollars)	**2013**	2012	**2013**	2012
Exploration and evaluation assets:				
Land	**129**	147	**404**	30,250
Exploration	**255**	1,742	**15,550**	10,157
Development	**16,988**	42,284	**97,685**	120,710
Other	**7,764**	3,208	**16,404**	10,637
Capitalized general and administrative	**4,669**	4,411	**14,934**	12,981
	29,805	51,792	**144,977**	184,735
Property, plant and equipment	**501**	3,499	**2,255**	16,514
Intangible assets	**1,748**	3,214	**5,229**	10,958
Capital asset additions	**32,054**	58,505	**152,461**	212,207
Capital expenditures (cash)	**29,750**	55,675	**145,673**	173,527

Capital asset additions during the first nine months of 2013 primarily included the completion of four well-pairs, module fabrication, construction and commissioning of the Germain CDP, and the completion of the 2012-2013 winter exploration and development drilling programs.

Exploration and Evaluation Assets

Land

Land additions during 2013 were for the continued planning and maintenance of Laricina's lease holdings. On February 15, 2012 the Company closed a transaction to acquire the remaining working interests in certain jointly-controlled oil sands properties for total market consideration of $30.0 million consisting of 705,882 common shares valued at $42.50 per common share.

During the third quarter of 2013, the Government of Alberta announced the boundaries for the Urban Development Sub-region (UDSR), a designated area of land surrounding Fort McMurray, Alberta to allow for future urban expansion. Oil sands leases within the designated boundaries of the UDSR have been cancelled to accommodate urban development of the city. Two of Laricina's properties may be affected by the UDSR – Conn Creek and Poplar Creek. In total, less than 3 percent of Laricina's total lands have been affected by the UDSR. We are working with the government to determine compensation should the leases be cancelled that includes reimbursement for incurred costs while recognizing the value of the resource and its value to Laricina. Although the result of any compensation is unknown at this time, Laricina does not expect a material change to its financial position.

Exploration

During the first nine months of 2013, exploration activities included the acquisition of 23.5 square-km of 3-D seismic at Burnt Lakes, 5.1 square-km of 3-D seismic at Conn Creek and 1.1 square-km of 4-D seismic at Saleski; and a three exploration well program at Saleski. Exploration activities during the same period in 2012 included the acquisition of 25.0 km of 2-D seismic at Germain, 22.0 km of 2-D seismic at Conn Creek, 20.7 square-km of 3-D seismic at Saleski, 1.3 square-km of 4-D seismic at Saleski; and the drilling of five exploration wells, three at Germain and two at Saleski.

Development activities

Consistent with the first nine months of 2012, the majority of the development expenditures incurred during the nine month period ended September 30, 2013 were to support the advancement towards commercial operations at the Germain CDP.

	Nine Months Ended September 30	
(thousands of dollars)	**2013**	2012
Saleski	**12,806**	25,029
Germain	**84,401**	94,485
Other	**478**	1,196
	97,685	120,710

Development activities during the nine month period ended September 30, 2013 primarily related to the completion of construction and ongoing commissioning at the Germain CDP, which included completion of the remaining four well-pairs. During the third quarter of 2013 steam injection continued for six of the ten well-pairs and commissioning activities were advanced. First bitumen production is expected in the fourth quarter of 2013. Development activities at Saleski included front-end engineering for the Saleski Phase 1 expansion of 10,700 barrels per day. The 2012-2013 development drilling program included two water source wells, two monitoring wells and two observation wells which will be used for Saleski Phase 1.

In the first nine months of 2012, development activities for Germain included the advancement of engineering, module fabrication and equipment purchases for the Germain CDP and the completion of six horizontal well-pairs. Development activities for Saleski included the drilling of additional C zone wells and commissioning a second steam generator at the Saleski pilot. The 2011-2012 development drilling program included four observation wells, three for Saleski Phase 1 and one at Germain for Phase 2. Other development activities during 2012 included the upgrades to roads and bridges.

Other

Other capital activities during the nine month period ended September 30, 2013 included pre-operating activities associated with initial steaming at the Germain CDP, regulatory consultation for the Stony Mountain Pipeline, progress on research and development projects, and provisions for future site restoration. Other capital activities during the comparable period of 2012 related to initial

engineering and consultation work for the Stony Mountain Pipeline, communication infrastructure, regulatory work and progress on research and development activities.

During the second quarter of 2013, Laricina disposed of its interest in the Stony Mountain Pipeline assets for gross proceeds of $10.0 million.

Property, Plant and Equipment

Property, plant and equipment additions during the first nine months of 2013 were primarily for corporate assets related to information technology. Property, plant and equipment additions during the comparable period in 2012 were primarily for road upgrades.

Intangible Assets

In the nine month period ended September 30, 2013, Laricina recorded intangible assets of $5.3 million for the recapitalization of depreciation of certain components of the Saleski pilot. Intangible asset additions during the same period of 2012 included $6.3 million for the expansion of available power for the Company's future development projects at Germain and $4.6 million for the recapitalization of depreciation of certain components of the Saleski pilot. The depreciation of certain components of the pilot such as the development wells that directly contribute to the Company's understanding of the reservoir and assist in the assignment of proven reserves are recapitalized until the related reserves are recognized.

Corporate Results

	Three Months Ended September 30		**Nine Months Ended September 30**	
(thousands of dollars)	**2013**	2012	**2013**	2012
General and administrative expenses, net	**7,087**	6,687	**21,649**	20,464
Finance income	**805**	1,832	**2,932**	5,929
Other income	**1,191**	2,254	**3,859**	7,958
Net loss	**(10,240)**	(7,341)	**(30,039)**	(22,260)

General and administrative expenses

	Three Months Ended September 30		**Nine Months Ended September 30**	
(thousands of dollars)	**2013**	2012	**2013**	2012
General and administrative expenses, Gross	**9,344**	8,586	**29,727**	26,064
Stock-based compensation costs	**2,412**	2,511	**6,856**	7,381
Capitalized costs	**(4,669)**	(4,410)	**(14,934)**	(12,981)
General and administrative expenses, net	**7,087**	6,687	**21,649**	20,464

General and administrative expenses increased during the nine months ended September 30, 2013 compared to the same period of 2012 primarily due to the continued growth of the Company's employee and consulting base, and the additional overhead costs associated with increased personnel. During 2013, Laricina has increased its personnel base to support field operations at the Germain CDP and the advancement of Saleski Phase 1. Capitalized general and administrative costs consist of costs directly related to project exploration and development activities.

Finance income

Finance income decreased during the first three quarters ended September 30, 2013 when compared to same period in 2012 primarily due to the decrease in funds on deposit. During the nine month period ended September 30, 2013, excess cash was held in high-interest savings accounts and guaranteed investment certificates with interest rates ranging from 1.2 percent to 1.8 percent consistent with interest rates during the first nine months of 2012.

Other income

Other income during the nine month period ended September 30, 2013 relates to fees charged to third parties for the usage of Laricina's camp facilities and roads. Other income during the same period in 2012 includes the sale of Saleski pilot data to a third party for net proceeds of $1.2 million and fees charged to third parties for the usage of Laricina's camp facilities and roads.

Finance costs

Finance costs include accretion for the site restoration provision and interest recorded on the finance lease associated with the Germain permanent camp.

Depreciation and amortization

Depreciation and amortization expense of $8.2 million recorded during the first nine months of 2013 increased from $5.7 million recorded in the comparable period of 2012. The increase in depreciation and amortization expense is related to the acquisition of an interest in the Chip Lake road during the fourth quarter of 2012.

Net loss

Laricina recorded a net loss of $10.2 million for the three month period ended September 30, 2013 compared to a net loss of $7.3 million during the three month period ended September 30, 2012. The increase in net loss is primarily a result of a decrease in other income due to less third-party camp usage and no additional data sales in 2013, and a decrease in finance income due to less funds on deposit during 2013. These decreases were partially offset by increased revenue from bitumen blend sales.

The Company recorded a net loss of $30.3 million for the nine month period ended September 30, 2013 compared to a net loss of $22.3 million for the nine month period ended September 30, 2012. This increase in net loss is primarily due to increased depreciation associated with the Chip Lake road, and decreases in finance and other income from fewer funds on deposit and less third-party camp usage and no additional data sales. Typical of a company in early stages of operations, Laricina expects to continue to show net losses until commercial levels of production are achieved.

Selected quarterly information

(thousands of dollars, except per share amounts)	**Q3 2013**	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Working capital	**182,720**	221,645	257,736	345,808	442,272	504,230	554,313	628,121
Capital asset additions	**32,054**	38,356	82,051	89,983	58,505	53,279	100,423	77,431
Net operating revenue	**3,216**	708	1,507	2,092	1,885	945	691	1,328
Finance and other income	**1,996**	2,071	2,724	2,154	4,086	4,599	5,202	4,919
Net loss	**(10,240)**	(9,750)	(10,349)	(8,600)	(7,341)	(8,588)	(6,331)	(5,476)
Net loss per common share - basic and diluted	**$ (0.15)**	$ (0.15)	$ (0.15)	$ (0.13)	$ (0.11)	$ (0.13)	$ (0.10)	$ (0.09)

Capital asset additions in the fourth quarter of 2012 included the acquisition of an interest in the Chip Lake road, and additions in the first quarter of 2012 included a $30.0 million acquisition of the remaining working interests in certain jointly-controlled oil sands assets. Fluctuations in capital additions are the result of the progress of the Germain CDP engineering, fabrication, construction and commissioning, and the winter drilling programs which typically occur in the first quarter of each year.

Net operating revenue increased throughout 2012 and the first quarter of 2013 as a result of increases in sales volumes, partially offset by declines in the average realized price. Net operating revenue decreased during the second quarter of 2013 as a result of a decrease in sales volumes associated with the plant turnaround and timing of production cycles, partially offset by an increase in the average realized price. Net operating revenue increased during the third quarter of 2013 as a result of increased sales volumes and an increase in the average realized price. Sales volumes have fluctuated since initial production commenced in the second quarter of 2011, consistent with the Company's planned cycles of alternating steam injection and bitumen production.

Other income during 2012 and 2013 is associated with third-party usage of Laricina's camps and roads. Other income in the third quarter of 2012 and fourth quarter of 2011 includes net proceeds of $1.2 million and $2.7 million, respectively, from the sale of certain Saleski pilot data. Finance income has decreased since the fourth quarter of 2011 as a result of decreased funds on deposit.

Liquidity and Financial Resources

Working capital

Working capital decreased from December 31, 2012 by $163.1 million to $182.7 million at September 30, 2013 primarily due to capital expenditures including the completion and commissioning of the Germain CDP and the 2012-2013 exploration program.

(thousands of dollars)	
Working capital at December 31, 2012	345,808
Capital expenditures (cash)	(145,673)
Operating activities	(26,782)
Other	9,367
Working capital at September 30, 2013	**182,720**

The remaining 2013 capital and operating spending program of approximately $53.3 million is focused primarily on the completion of commissioning the Germain CDP, sustaining projects at the Saleski pilot and the advancement of engineering and earthworks for the Saleski Phase 1 project. The balance of the spending will include operations at the Saleski pilot and Germain CDP, the advancement of future phases at Saleski and Germain, infrastructure, studies, other corporate capital, and general and administrative expenses. The Company expects working capital to be approximately $130 million at December 31, 2013.

The future capital expenditures Laricina requires to continue advancing future phases including the Saleski Phase1 expansion is dependent on achieving additional financing. The Company anticipates funding capital and operating activities through an appropriate combination of debt and equity. Asset sales or joint arrangements may also be considered as alternative financing sources.

If Laricina is unable to arrange financing in the short term, the rate of capital and operating expenditures will be moderated to preserve capital until financing markets improve.

Investments

The Company's cash is currently held in a business operating account with a major Canadian bank which bears interest up to the bank's prime rate minus 1.9 percent. In addition, the Company holds excess cash in high interest savings accounts and guaranteed investment certificates with interest rates ranging from 1.5 to 1.8 percent. The Company may invest in Canadian government securities or fixed-term of up to 12 months and bankers' acceptance investments with a minimum A rating.

Debt financing
Laricina has a demand credit facility of $15.0 million with a major Canadian bank which has been extended to October 31, 2014 and is secured by an equivalent cash deposit. The credit facility is intended for general corporate purposes, including the exploration, development and acquisition of oil sands properties. At September 30, 2013 and the date of this report, the Company had letters of credit totalling $5.2 million outstanding under this credit facility, and no amount has been drawn. The letters of credit are related to the development of the Germain and Saleski projects.

As projects are advanced to the commercial development phase, Laricina will evaluate the markets for prudent interim or long-term debt funding alternatives.

Commitments and contractual obligations
As of the date of this report, the Company has contractual obligations for office space, communication equipment and agreements, drilling rig rentals, natural gas purchases, camp facilities and other obligations as follows:

(thousands of dollars)	Office	Field
2013 remainder	642	2,285
2014	2,928	6,527
2015	2,423	2,954
2016	120	1,839
2017 and thereafter	140	1,068

The Company's letters of credit are to suppliers of utilities to support development at Saleski and Germain. If project development is interrupted, the Company will be required to reimburse up to $5.2 million of the suppliers' costs. The letters of credit of $4.8 million and $0.4 million are expected to be renewable on July 31, 2014 and August 31, 2014, respectively.

As at the date of this report, the Company has $20.3 million of purchase commitments outstanding which relate to the completion of commissioning of the Germain CDP and engineering and long-lead equipment for the Saleski Phase 1.

Outstanding share data
At October 31, 2013, share capital consisted of the following:

(thousands)	
Common shares	67,479
Stock options	2,110
Replacement options	2,141
Performance share units	885
Total outstanding	**72,615**

Critical Accounting Estimates

A discussion of the Company's significant accounting policies is contained in Note 3 of the accompanying notes to the audited consolidated financial statements for the financial year ended December 31, 2012 in the Company's Annual Report. The nature of critical accounting estimates for Laricina remains unchanged since December 31, 2012.

Changes in Accounting Policies

The Company has adopted the following new and revised standards effective January 1, 2013. These changes have been made in accordance with the applicable transitional provisions.

IFRS 7 *Financial Instruments: Disclosures* was amended to clarify requirements for offsetting financial assets and financial liabilities and to enhance the corresponding disclosure requirements. The modifications to this standard had no impact to Laricina.

IFRS 10 *Consolidated Financial Statements* replaces International Accounting Standard (IAS) 27 *Consolidated and Separate Financial Statements* and Standing Interpretations Committee 12 *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The requirements for consolidation have remained essentially consistent with IAS 27. Laricina assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation of its wholly-owned subsidiaries.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the rights and obligations of each investor. Joint operations require a company to recognize its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method of accounting as outlined in IAS 28, *Investments in Associates and Joint Ventures*. Laricina classified its joint arrangements in accordance with IFRS 11 on January 1, 2013 and concluded that the adoption of the standard did not result in any changes in the accounting treatment of its joint arrangements.

IFRS 13 *Fair Value Measurement* provides a comprehensive standard for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing an asset or liability under current market conditions, including risk assumptions. Laricina's adoption of IFRS 13 required no change in valuation techniques.

The adoption of these new accounting standards has had no impact on the recognition and measurement of the balances recorded in the financial statements.

A number of new accounting standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2013 and were not applied in preparing the condensed consolidated financial statements for the first quarter.

The Company has reviewed the new standards and interpretations required for annual periods beginning January 1, 2014 and determined that International Accounting Standard 32 *Financial Instruments: Presentation* is relevant but not yet applicable to these financial statements. The impact of this standard is not yet determined.

Risk Management

Risk factors remain substantially unchanged from December 31, 2012. For further information on risks please refer to the discussion of Risk Management found in the MD&A section of the Company's Annual Report for 2012.

Outlook

In 2014, further financing will be required to advance the Company's business plan. Laricina will continue to monitor the capital markets and consider a full range of financing strategies to provide the funds necessary to advance its projects, such as private or public equity, asset sales, debt and participation agreements with other oil sands development companies or joint agreements.

During the fourth quarter of 2013, the majority of capital spending will be for the construction and commissioning of final components of the Germain CDP which were not required for initial steam injection, including an additional dilbit tank and the solvent recovery unit. Laricina anticipates initial bitumen production in the fourth quarter of 2013. Subsequent to September 30, 2013, a third party natural gas pipeline rupture reduced steam injection capacity at the Germain CDP. The impact of the reduced steam injection may delay production ramp up.

The Saleski pilot will continue to focus on improved production performance by repetition of the C-SAGD process, further evaluation of solvent injections and studying the communication between the C and D zones.

Other activities during the remainder of 2013 include regulatory work to support the Germain Phase 2 expansion with approval expected during the fourth quarter.

The remaining 2013 capital and operating spending program (including cash general and administrative expenses) is expected to be approximately $53.3 million with the majority of the costs for the completion of commissioning of the Germain CDP, engineering and earth works for Saleski Phase 1, and sustaining projects at the Saleski pilot.

Condensed Consolidated Statements of Financial Position

As at Unaudited *(thousands of Canadian dollars)*	Note	**September 30** **2013**	December 31 2012
Assets			
Current assets			
Cash and cash equivalents		**200,829**	395,884
Trade and other receivables		**9,276**	7,923
Prepaid expenses and deposits		**1,430**	818
Inventories		**3,527**	3,355
		215,062	407,980
Non-current assets			
Abandonment deposits and other		**2,116**	2,109
Exploration and evaluation assets	6	**1,001,599**	874,354
Property, plant and equipment		**82,551**	84,587
Intangible assets		**27,292**	22,531
Deferred income tax		**7,183**	-
		1,120,741	983,581
Total assets		**1,335,803**	1,391,561
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables		**28,683**	54,531
Finance lease obligation		**3,659**	7,641
		32,342	62,172
Non-current liabilities			
Site restoration provision		**17,975**	18,982
Deferred income tax		**-**	1,710
		17,975	20,692
Total liabilities		**50,317**	82,864
Shareholders' equity			
Share capital	7	**1,336,134**	1,333,979
Contributed surplus		**36,383**	31,410
Deficit		**(87,031)**	(56,692)
Total shareholders' equity		**1,285,486**	1,308,697
Total liabilities and shareholders' equity		**1,335,803**	1,391,561

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Loss

Unaudited *(thousands of Canadian dollars)*	Note	**Three Months Ended September 30** **2013**	 2012	**Nine Months Ended September 30** **2013**	 2012
Revenue					
Bitumen blend sales		**3,371**	1,941	**5,626**	3,626
Royalties		**(155)**	(56)	**(195)**	(105)
Net operating revenue		**3,216**	1,885	**5,431**	3,521
Other income	9	**1,191**	2,254	**3,859**	7,958
Gain on disposal of exploration and evaluation assets	6	**-**	-	**746**	-
		4,407	4,139	**10,036**	11,479
Expenses					
Transportation and blending		**1,696**	936	**3,167**	1,972
Operating		**6,648**	4,954	**18,516**	15,997
Pre-exploration		**23**	506	**133**	666
General and administrative		**7,087**	6,687	**21,649**	20,464
Depreciation and amortization		**2,772**	1,955	**8,159**	5,724
		18,226	15,038	**51,624**	44,823
Results from operating activities		**(13,819)**	(10,899)	**(41,588)**	(33,344)
Finance income		**805**	1,832	**2,932**	5,929
Finance expenses		**(174)**	(245)	**(576)**	(810)
Net finance income		**631**	1,587	**2,356**	5,119
Loss before income tax		**(13,188)**	(9,312)	**(39,232)**	(28,225)
Deferred income tax recovery		**(2,948)**	(1,971)	**(8,893)**	(5,965)
Total loss and comprehensive loss		**(10,240)**	(7,341)	**(30,339)**	(22,260)
Loss and comprehensive loss per common share	8				
Basic		**$ (0.15)**	$ (0.11)	**$ (0.45)**	$ (0.34)
Diluted		**$ (0.15)**	$ (0.11)	**$ (0.45)**	$ (0.34)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

Unaudited

(thousands of Canadian dollars)	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at December 31, 2011	1,286,352	28,478	(25,832)	1,288,998
Comprehensive loss	-	-	(22,260)	(22,260)
Issuance of common shares in exchange for assets	30,000	-	-	30,000
Share-based payments	-	6,197	-	6,197
Performance warrants exercised	9,698	(531)	-	9,167
Performance share units exercised	2,117	(2,116)	-	1
Replacement options exercised	1,478	(1,430)	-	48
Stock options exercised	2,010	(533)	-	1,477
Balance at September 30, 2012	1,331,655	30,065	(48,092)	1,313,628
Comprehensive loss	-	-	(8,600)	(8,600)
Share-based payments	-	2,138	-	2,138
Performance warrants exercised	880	(41)	-	839
Performance share units exercised	260	(260)	-	-
Replacement options exercised	242	(234)	-	8
Stock options exercised	942	(258)	-	684
Balance at December 31, 2012	1,333,979	31,410	(56,692)	1,308,697
Comprehensive loss	-	-	(30,339)	(30,339)
Share-based payments	-	6,747	-	6,747
Performance share units exercised	1,203	(1,202)	-	1
Replacement options exercised	456	(441)	-	15
Stock options exercised	496	(131)	-	365
Balance at September 30, 2013	**1,336,134**	**36,383**	**(87,031)**	**1,285,486**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

For the Nine Months Ended September 30 Unaudited *(thousands of Canadian dollars)*	**2013**	2012
Cash flows from operating activities		
Comprehensive loss for the period	**(30,339)**	(22,260)
Adjustments for:		
Depreciation and amortization	**8,159**	5,724
Equity settled share-based payments	**3,930**	4,301
Unwinding of site restoration discount	**361**	295
Deferred income tax recovery	**(8,893)**	(5,965)
	(26,782)	(17,905)
Change in trade and other receivables	**778**	2,432
Change in prepaid expenses and deposits	**(544)**	(79)
Change in inventories	**261**	(525)
Change in trade and other payables	**(1,868)**	(3,765)
Net cash used in operating activities	**(28,155)**	(19,842)
Cash flows from investing activities		
Property, plant and equipment, and exploration and evaluation expenditures	**(170,142)**	(146,138)
Proceeds from the disposal of exploration and evaluation assets	**6,850**	-
Intangible expenditures	**-**	(6,319)
Abandonment deposits	**(7)**	(7)
Net cash used in investing activities	**(163,299)**	(152,464)
Cash flows from financing activities		
Proceeds from the issuance of common shares	**381**	10,693
Finance lease obligation	**(3,982)**	(3,920)
Net cash from (used in) financing activities	**(3,601)**	6,773
Net decrease in cash and cash equivalents	**(195,055)**	(165,533)
Cash and cash equivalents, beginning of period	**395,884**	656,891
Cash and cash equivalents, end of period	**200,829**	491,358

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements - September 30, 2013

Unaudited
(tabular amounts in thousands of Canadian dollars except as otherwise noted)

1. Reporting Entity

Laricina Energy Ltd. (Laricina or the Company) was incorporated on November 11, 2005 under the *Business Corporations Act* (Alberta). The condensed consolidated interim financial statements of the Company as at and for the nine months ended September 30, 2013 encompasses the Company and its subsidiaries. Since inception, Laricina has focused on acquiring prospective oil sands properties, developing properties into projects, financing, attracting suitable personnel and developing innovative technologies. Two areas have been identified as near-term commercial projects, Germain and Saleski. The Company will require equity and debt financing to fund projects beyond the Saleski pilot and Germain commercial demonstration projects.

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards (IFRS) and are included in the Company's Annual Report for 2012.

2. Basis of Preparation

Statement of compliance
These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.* The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2012, except as described in Note 3.

The condensed consolidated interim financial statements were approved for release to shareholders by the Board of Directors on November 1, 2013.

Basis of measurement
The condensed consolidated interim financial statements have been prepared on the historical cost basis except for liabilities for cash-settled share-based payment arrangements measured at fair value which are included in Trade and other payables. The methods used to measure fair value are included in the Company's Annual Report for 2012.

3. Changes in Accounting Policies

The Company has adopted the following new and revised standards effective January 1, 2013. These changes have been made in accordance with the applicable transitional provisions.

IFRS 7 *Financial Instruments: Disclosures* was amended to clarify requirements for offsetting financial assets and financial liabilities and to enhance the corresponding disclosure requirements. The modifications to this standard had no impact to Laricina.

IFRS 10 *Consolidated Financial Statements* replaces International Accounting Standard (IAS) 27 *Consolidated and Separate Financial Statements* and Standing Interpretations Committee (SIC) 12 *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The requirements for consolidation have remained essentially consistent with IAS 27. Laricina assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation of its wholly-owned subsidiaries.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the rights and obligations of each investor. Joint operations require a company to recognize its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method of accounting as outlined in IAS 28, *Investments in Associates and Joint Ventures*. Laricina classified its joint arrangements in accordance with IFRS 11 on January 1, 2013 and concluded that the adoption of the standard did not result in any changes in the accounting treatment of its joint arrangements.

IFRS 13 *Fair Value Measurement* provides a comprehensive standard for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing an asset or liability under current market conditions, including risk assumptions. Laricina's adoption of IFRS 13 required no change in valuation techniques.

The adoption of these new accounting standards has had no impact on the recognition and measurement of the balances recorded in these condensed consolidated interim financial statements.

A number of new accounting standards and amendments to standards and interpretations are not yet effective for the period ended September 30, 2013 and were not applied in preparing the condensed consolidated interim financial statements for the third quarter.

The Company has reviewed the new standards and interpretations required for annual periods beginning January 1, 2014 and determined that International Accounting Standard 32 *Financial Instruments: Presentation* is relevant but not yet applicable to these condensed consolidated interim financial statements. The impact of this standard is not yet determined.

4. Basis of Consolidation

The condensed consolidated interim financial statements of the Company comprise the Company and its wholly-owned subsidiaries, Laricina GP Holding Ltd. and 1276158 Alberta Inc. Control exists when a company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases. All intercompany transactions and balances are eliminated on consolidation.

5. Financial Instruments

Financial instruments are initially recognized in the statement of financial position at fair value. Subsequent measurement of financial assets and liabilities, except those at fair value through comprehensive loss and available-for-sale, are measured at amortized cost determined using the effective interest rate method. Cash and cash equivalents are comprised of cash balances and guaranteed investment certificates that may be redeemed at the Company's option. Trade and other receivables, and prepaid expenses and deposits are classified as loans and receivables, while trade and other payables are classified as other financial liabilities and the fair values approximate their carrying value due to the short-term nature of these instruments. The Company has not designated any financial instruments as available-for-sale.

Determination of fair values

Certain accounting policies and disclosures require the Company to determine fair value for purposes of measurement or disclosure. Fair values have been determined using the methods outlined below using the applicable hierarchy, where applicable.

Level 1 fair value measurement

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 fair value measurement

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

5. Financial Instruments (continued)

Level 3 fair value measurement

Level 3 fair value measurements are based on unobservable information derived from management's estimate of fair value.

The Company recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during the period ended September 30, 2013.

6. Exploration and Evaluation Assets

Cost	
Balance at December 31, 2012	892,023
Additions during the period	144,977
Dispositions during the period	(9,104)
Balance, September 30, 2013	**1,027,896**
Depreciation	
Balance, December 31, 2012	(17,669)
Depreciation for the period	(8,628)
Balance, September 30, 2013	**(26,297)**
Carrying amounts	
As at December 31, 2012	874,354
As at September 30, 2013	**1,001,599**

During the quarter ended June 30, 2013, the Company disposed of exploration and evaluation assets related to the Stony Mountain Pipeline with a carrying amount of $9.1 million for gross proceeds of $10.0 million ($9.9 million net of transaction costs). The proceeds include $3.0 million of conditional payments which have been recorded as a receivable. Subsequent to the disposition of these assets, Stony Mountain Pipeline Ltd. was wound-up.

On July 19, 2011 the Government of Alberta announced that the Company has been selected to receive funding of up to $10.0 million (gross) under the Innovative Energy Technology for the Saleski Pilot. The funds are being recorded as a reduction to the corresponding Exploration and Evaluation asset. As at September 30, 2013, $10.0 million gross ($6.0 million net) had been recorded as a reduction of the costs associated with the Saleski pilot. As at December 31, 2012, $8.2 million gross ($4.9 million net) had been recorded as a reduction of the costs associated with the Saleski pilot.

7. Share Capital

Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value, issuable in series

Issued

	Number of shares (*thousands*)	**Amount**
Common Shares		
Balance, December 31, 2012	67,103	1,333,979
Performance share units exercised	58	1,203
Replacement options exercised	297	456
Stock options exercised	18	496
Balance, September 30, 2013	**67,476**	**1,336,134**

Replacement options

On June 18, 2012, the Company entered into a replacement option agreement with certain directors, officers and employees whereby the holders of specific options and performance warrants exchanged their rights to these options and performance warrants for replacement options. The economic value of the rights exchanged equaled the economic value of the replacement options granted on the date of the exchange. The replacement options expire on June 18, 2014 and for each replacement option exercised the holder will receive one common share.

	Number (*thousands*)	**Weighted Average Exercise Price**
Outstanding, December 31, 2012	2,438	$ 0.05
Exercised	(297)	0.05
Outstanding, September 30, 2013	**2,141**	**$ 0.05**
Exercisable, September 30, 2013	**2,141**	**$ 0.05**

7. Share Capital (continued)

Stock option plan

The Company has a stock option plan under which directors, officers, employees of, and providers of services to the Company are eligible to receive grants of options. The exercise price and vesting period of options granted is determined by the Board of Directors at the time of grant.

	Number (*thousands*)		**Weighted Average Exercise Price**
Outstanding, December 31, 2012	1,977	$	27.76
Granted	459		28.30
Exercised	(18)		20.00
Forfeited	(274)		30.37
Outstanding, September 30, 2013	**2,144**	**$**	**27.61**
Exercisable, September 30, 2013	**968**	**$**	**25.92**

For the three and nine month periods ended September 30, 2013, a compensation cost of $1.4 million ($0.8 million in 2012) and $4.0 million ($3.0 million in 2012), respectively, has been recognized for options that have been granted. During the three and nine month periods ended September 30, 2013, $0.6 million ($0.3 million in 2012) and $1.7 million ($1.2 million in 2012), respectively, was capitalized.

Performance share unit plan

The Company has a performance share unit plan under which directors, officers, employees of, and providers of services to the Company are eligible to receive grants of performance share units (PSUs).

	Number (*thousands*)		**Weighted Average Exercise Price**
Outstanding, December 31, 2012	796	$	0.01
Granted	303		0.01
Exercised	(58)		0.01
Forfeited	(141)		0.01
Outstanding, September 30, 2013	**900**	**$**	**0.01**
Exercisable, September 30, 2013	**321**	**$**	**0.01**

For the three and nine month periods ended September 30, 2013, compensation cost of $0.7 million ($0.7 million in 2012) and $2.7 million ($3.2 million in 2012), respectively, has been recognized for PSUs that have been granted. For the three and nine month periods ended September 30, 2013, $0.3 million ($0.3 million in 2012) and $1.2 million ($1.3 million in 2012) was capitalized, respectively.

Share appreciation rights

The Company has a Share Appreciation Rights Plan under which directors, officers, employees of, and providers of services to the Company are eligible to receive grants of share appreciation rights (SARs) providing for cash payments equal to the excess of the market price of the common shares over the exercise price of the right. The vesting period of the SARs is two years.

	Number (*thousands*)		**Weighted Average Exercise Price**
Outstanding, December 31, 2012	145	$	31.20
Granted	29		28.50
Expired	(30)		35.00
Forfeited	(34)		30.06
Outstanding, September 30, 2013	**110**	**$**	**29.80**
Exercisable, September 30, 2013	**30**	**$**	**30.94**

All SARs were granted to employees directly involved in field activities. For the three and nine month periods ended September 30, 2013, a compensation cost of $0.1 million and $0.2 million, respectively, were recorded (compensation costs of $0.1 million and $0.3 million, respectively, in 2012) and has been recognized for SARs that have been granted. At September 30, 2013, the Company recorded an accrued liability of $0.8 million ($0.6 million at December 31, 2012) for outstanding SARs. At September 30, 2013 and December 31, 2012, the Company had no obligation for SARs that had vested.

8. Loss and Comprehensive Loss per Share

Basic loss and comprehensive loss per share

The calculation of basic loss per share for the three and nine month periods ended September 30, 2013 was based on the loss attributable to common shareholders of $10.2 million and $30.3 million ($7.3 million and $22.3 million in 2012), respectively, and a weighted average number of common shares outstanding during the three and nine month periods ended September 30, 2013. The weighted average number of common shares outstanding was calculated as follows:

8. Loss and Comprehensive Loss per Share (continued)

(thousands)	Three Months Ended September 30 **2013**	2012	Nine Months Ended September 30 **2013**	2012
Issued common shares at beginning of period	**67,210**	65,687	**67,103**	64,211
Effect of common shares issued	**-**	-	**-**	587
Effect of PSUs exercised	**7**	11	**28**	34
Effect of replacement options exercised	**241**	506	**109**	170
Effect of options exercised	**-**	11	**12**	27
Effect of performance warrants exercised	**-**	88	**-**	296
Weighted average common shares outstanding (basic)	**67,458**	66,303	**67,252**	65,325

Diluted loss and comprehensive loss per share

The calculation of diluted loss and comprehensive loss per share does not include options, replacement options or PSUs as the effect would be anti-dilutive.

The basic and diluted loss per share was $0.15 and $0.45 for the three and nine month periods ended September 30, 2013, respectively, compared to a basic and diluted loss per share of $0.11 and $0.34 for the three and nine month periods ended September 30, 2012, respectively.

9. Other Income

Other income is composed of the following:

	Three Months Ended September 30 **2013**	2012	Nine Months Ended September 30 **2013**	2012
Data sale to third-party	**$ -**	$ 1,200	**$ -**	$ 1,200
Third-party camp and road usage	**1,191**	1,054	**3,859**	6,758
	$ 1,191	$ 2,254	**$ 3,859**	$ 7,958

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Corporate Information

Senior Management

Glen C. Schmidt
President and CEO

James R. Hand
Senior Vice President Operations and COO

C. Dean Setoguchi
Senior Vice President and CFO

Derek A. Keller
Vice President Production

Karen E. Lillejord
Vice President Finance and Controller

David Safari
Vice President Facilities

Marla A. Van Gelder
Vice President Corporate Development

800, 425 – 1st Street SW
Calgary, Alberta T2P 3L8
Phone: 403-750-0810
Facsimile: 403-263-0767

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www.laricinaenergy.com

Directors

Brian K. Lemke [1, 2C]
Independent Investor

Ian D. Bruce [2, 4]
Independent Investor

Adam Vigna[2, 3]
Vice President, Head of Private Debt
CPPIB Equity Investments Inc.

Jonathan C. Farber [2, 3]
Managing Director, Lime Rock Partners

S. Barry Jackson [3, 4C]
Chairman, TransCanada Corporation

Gordon J. Kerr [2, 4]
Independent Businessman

Robert A. Lehodey, Q.C. [3C, 4]
Partner, Osler, Hoskin & Harcourt LLP

W. Glen Russell [3, 4]
Principal, Glen Russell Consulting

Glen C. Schmidt
President and CEO, Laricina Energy Ltd.

[1] Chairman of the Board
[2] Audit Committee
[3] Governance & Human Resources Committee
[4] Technical Committee
[C] Committee Chairman